



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

EMBARGOED UNTIL 10 a.m. (EDT), April 15, 2008

CONTACT Jennifer Zuccarelli, (202) 622-8657

TESTIMONY OF U.S. TREASURER ANNA ESCOBEDO CABRAL BEFORE THE HOUSE COMMITTEE ON FINANCIAL SERVICES

WASHINGTON- Good morning. Thank you, Chairman (Barney) Frank. I want to thank you Ranking Member (Spencer) Bachus, and the members of the committee for this opportunity to appear today.

Also, I would like to thank the Committee and the House for their leadership on financial literacy, including the Congressional resolution declaring April as Financial Literacy Month. I commend you for focusing a national spotlight on this issue.

The attention is timely. Today, many Americans are struggling – we have young adults struggling with debt, families struggling to understand the terms of their mortgages, and older Americans struggling with retirement issues. These are complex problems and there are no simple solutions. But what we can do to make a difference – and what is greatly needed in this country – is a little preventative medicine. That is, to teach *all* Americans how to make smart, sound financial choices.

During this financial literacy month, it is appropriate that we step back, assess our efforts, and enhance our financial literacy outreach. But be assured, our assessment and promotion of financial literacy doesn't begin on the 1st and end on the 30th of April. It is a 365-day effort every year.

During my term in office as Treasurer, I have traveled across the country from the Bay Area to the Boroughs of New York to cities and towns in between spreading the financial literacy message to as many Americans as I can. This is more than just a message to me. I am the daughter of farm workers who grew up in communities where being unbanked was common, where saving for college was a rarity, and where financial education was oftentimes nonexistent. So for me, promoting financial literacy isn't just good policy. It's personal.

The President and Secretary Paulson are equally committed to their beliefs in the value of financial literacy. The President's new USA Freedom Corps Financial Literacy Volunteer Initiative, established just last month, provided more proof of this commitment. This initiative will encourage everyday Americans to volunteer to teach financial education in their communities.

I want to talk about three ways that we are addressing financial literacy. The most recent of these efforts is an advisory group created by the President.

The President's Advisory Council

The President's Advisory Council was launched on January 22, 2008. The Council is comprised mostly of financial education leaders from the private sector, with one state government representative. It is chaired by Charles Schwab.

This private-sector group, in addition to the federal efforts of the Financial Literacy and Education Commission, will increase the level of our nation's resources dedicated to financial literacy. To ensure close coordination with the Financial Literacy and Education Commission, the Council recently named a liaison to the Commission who will attend Commission meetings and report on them to the Council.

The Financial Literacy and Education Commission

An abundance of our financial literacy efforts are through the Financial Literacy and Education Commission. This 20-agency group was established by the Fair and Accurate Credit Transactions (FACT) Act of 2003. The FACT Act named the Secretary of the Treasury as chair of the Commission and gave the Commission and Treasury four mandates: a Web site, a hotline, a multimedia campaign and a national strategy.

I am pleased to provide progress on each of these projects.

1. Web Site

In October 2004, the Commission launched MyMoney.gov, a Web site designed to be a one-stop shop for federal financial education information. The Website is available in English and Spanish and is operated by the General Services Administration (GSA). It is organized intuitively by topic rather than by agency. Web site topics include "Paying for Education," "Saving and Investing," "Home Ownership," "Privacy," and "Frauds and Scams."

MyMoney.gov also provides links to financial education grants offered by different Commission member agencies. The site has 402 links and has had more than 2 million hits. Visitors can access an interactive, instructional quiz on financial literacy, view a public service announcement promoting MyMoney.gov and get information on the activities of the Commission.

The Commission works to ensure that the topics are timely and relevant. For example, during hurricane season it features information on how to financially prepare for a weather-related emergency. More recently, the Commission has added a link explaining the economic stimulus payments, and the front-page features information on how to avoid foreclosure rescue scams.

2. Toll Free Hotline

In October 2004, the Commission also launched a toll-free hotline called 1-888-MyMoney. Operated by the GSA, the hotline is available in English and Spanish and permits callers to order a free MyMoney toolkit. The English language toolkit contains eight federal publications covering topics from savings to investing to understanding the Social Security system. The Spanish language toolkit has seven publications. Since its launch in October 2004, the MyMoney hotline has received more than 20,200 calls.

3. Multimedia Campaign

The Treasury is working with the Ad Council on the production of a campaign that will address the topic of credit literacy, emphasizing the impact of one's credit score. The project has progressed through the research, focus group, and creative stages, and is now in production. The campaign is scheduled to launch in the summer of 2008. It will feature television spots, radio spots, and a new Web site.

4. National Strategy

The FACT Act also required the Commission to develop a national strategy for financial literacy. In April of 2006, the Commission released *Taking Ownership of the Future: The National Strategy for Financial Literacy*. The *Strategy* is a comprehensive blueprint for improving financial literacy in America, covering 13 areas of financial education in 13 chapters. Approximately 7,600 copies of the *Strategy* have been distributed, and the *Strategy* has been downloaded an additional 102,860 times.

This month, the Commission submitted its third annual *Strategy for Assuring Financial Empowerment Report*. The report contains updated information regarding the implementation of the Commission's principal duties and provides further details of current and future activities in which the Commission is or will be involved.

GAO Report

A December 2006 Government Accountability Office (GAO) report on the Commission's activities made several recommendations. The Commission welcomed the insights of GAO on how we could better accomplish our important mission on behalf of the American people.

The Commission incorporated many of the GAO recommendations into its 2007 revisions to the *Strategy*. For instance, GAO recommended that definitions to "financial education" and "financial literacy" be added to the *Strategy*, and the Commission defined and incorporated both terms. GAO recommended more of a focus on partnerships, and the Commission is highlighting agency partnerships with the private sector on its Web site. In response to a GAO recommendation, the Commission is also planning to conduct usability testing of and measure customer satisfaction with MyMoney.gov.

Additionally, GAO suggested an independent review of federal financial education programs and resources. Although the FACT Act does not require an independent review of such programs and resources, the Commission decided to pursue such a review, with the first series of assessments to be completed in 2009.

The GAO also recommended that the Commission work closely with private entities and state and local governments to improve financial literacy. In response, on April 17, 2007 Treasury and the Office of Personnel Management co-hosted the Commission's inaugural meeting of the "National Financial Education Network" of federal, state and local governments at Treasury. This network will facilitate precisely the type of cooperation called for in the GAO report.

We continue to work to respond to the GAO recommendations.

Calls to Action

At the end of each chapter of the *Strategy* are specific, numbered Calls to Action. Most of the actions are assigned to the federal government, but some of the activities are recommendations for the private sector or for individuals. Since the launch of the *Strategy* two years ago, the Commission has been hard at work implementing these calls. The Calls to Action are milestones for the Commission, and allow it to measure performance on many initiatives that would not be possible without the cooperation of all 20 member agencies.

I am pleased to provide a summary of progress on the *Strategy's* Calls to Action:

Chapter 1: General Saving

1-1 In April of 2007, Treasury and the American Savings Education Council launched a public service announcement (PSA) on the importance of saving. The PSA promotes the Web site, MyMoney.gov and toll-free hotline, 1-888-MyMoney. This ad can be viewed on MyMoney.gov.

Chapter 2: Homeownership

2-1 In July of 2006, the Department of Housing and Urban Development (HUD) and Treasury co-hosted a roundtable which highlighted successful partnerships that have advanced homeownership. During the meeting, the complexity of identifying partners to advance homeownership was discussed at length. Participants cited best practices which have helped with foreclosure prevention, non-traditional mortgage products, and the identification of a variety of hidden costs to consumers.

In July of 2007 in Boston, Massachusetts, HUD, in partnership with the Treasury Department, hosted the second meeting highlighting successful partnerships that have advanced homeownership. The discussion was focused on how public-private sector partnerships can better deliver grassroots counseling and training programs. The Federal Deposit Insurance Corporation and the Federal Reserve Bank of Boston also contributed to the dialogue.

Chapter 3: Retirement Saving

3-1 In 2008, the Treasury Department and the Department of Labor (DOL) will co-host a roundtable with large employers on retirement saving. Topics will include successful strategies in integrating the delivery of financial education into the workplace and other options for increasing participation and contributions in private pensions, such as automatic enrollment.

An agenda is being developed. The roundtable is planned for the summer of 2008 in Washington, D.C.

3-2 In April 2006, the Small Business Administration (SBA) linked its online retirement training tools for small businesses to MyMoney.gov. In addition, the Department of Labor and the Internal Revenue Service (IRS) developed and released a new publication, *Payroll Deduction IRAs*, to complement a series on retirement plan options for small employers. DOL, as part of its ongoing Fiduciary Education Campaign, *Getting It Right - Know Your Fiduciary Responsibilities*, conducted 27 Fiduciary Compliance Assistance Seminars, in coordination with the IRS, the American Institute of Certified Public Accountants, and the Society of Human Resources Management.

3-3 DOL, working in partnership with a national non-profit organization and the IRS, has implemented the multi-faceted campaign to educate small businesses and their accountants about options for employee retirement plans. The DOL and its national non-profit organization partner created a DVD that provides first-hand observations from small employers and their employees as well as the accountants for the businesses on the benefits of their retirement plans. The DOL and the IRS are working on a new publication on the automatic enrollment 401(k) plan which will be published this spring and are updating the popular publication, *401(k) Plans for Your Small Business*. The DOL and its national non-profit organization partner are completing work on an interactive Web site that will help small businesses and their accountants find the retirement plan options that are appropriate for their business. This site will be available to the public later this spring.

Chapter 4: Credit

4-1 Through an agreement with the Ad Council, Treasury has been working to develop and execute a multimedia public service announcement campaign on credit literacy for young adults, emphasizing the impact of one's credit score. The project has progressed through the research, focus group, and creative stages, and is now in production. The campaign is scheduled to launch in the summer of 2008. It will

feature television spots, radio spots, and a new Web site. Some elements of the Web site will also be available in Spanish.

Chapter 5: Consumer Protection

5-2 In April of 2006, Treasury released the DVD, *Identity Theft: Outsmarting the Crooks*, and made it available to the public through MyMoney.gov and 1-888-My Money.

All copies of the DVD, which totaled 60,750, were distributed. A transcript of the DVD can be found online at http://treas.gov/offices/domestic-finance/financial-institution/cip/pdf/library_transcript.pdf.

Chapter 6: Taxpayer Rights

6-2 The Department of the Treasury and a Federal Reserve Bank have continued the national public education campaign, “Go Direct.” The campaign is designed to encourage Americans who receive federal benefit payments, particularly Social Security, to use direct deposit. From the start of the pilot program in September, 2004, through February 8, 2008, there were more than 1,670,000 conversions of paper check recipients to direct deposit enrollees. The U.S. Senate declared February 2008 as “Go Direct Month” to motivate more Americans to select direct deposit for their Social Security and other federal benefit payments.

6-3 As a result of the Department of Health and Human Services' (HHS) public awareness campaign on the new Medicare drug benefit that encourages seniors and people with disabilities to take a look at their prescription drug coverage options, over 90 percent of those with Medicare have some form of drug coverage. Of those, almost 24 million have prescription drug coverage through the new Medicare Part D benefit. HHS worked with 40,000 partners and conducted more than 12,000 events to educate taxpayers and beneficiaries on enrolling in the Part D program. More than 1.4 million beneficiaries have enrolled in Medicare's Part D program since June of 2006, bringing the total number of people with Medicare receiving comprehensive prescription drug coverage to more than 39 million.

Chapter 8: The Unbanked

8-1 Four regional conferences have been held on how to reach the unbanked. The conferences were held in Chicago, IL in May 2006; Edinburg, TX in December 2006; Seattle, WA in March 2007; and New York, NY in October 2007. The conferences have touched on topics such as building partnerships and identifying solutions, serving immigrant communities, reaching young customers, providing financial education to help new and potential bank customers, and what can be learned from alternative lenders. The conferences were accomplished by the Treasury along with the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision, the Federal Reserve Banks of Chicago, Dallas, New York, Philadelphia, Richmond, and San Francisco, and with assistance from HUD, the Washington State Department of Financial Institutions and the New York City Department of Consumer Affairs, Office of Financial Empowerment. These conferences brought together a wide range of attendees on the topic of serving the unbanked population.

Chapter 9: Multilingual / Multicultural Populations

9-1 The Department of the Treasury has held three roundtable discussions on financial education topics of special concern to specific communities. In March of 2007, the first roundtable took place at Treasury and was focused on American Indian or Alaskan Native populations. Topics included public and private partnerships, access to financial institutions and services, and public awareness events on reservations.

In July of 2007, the second conference on multicultural and multilingual communities took place at Treasury. The focus was Asian and Native Hawaiian or other Pacific Islander communities. The main topics covered were financial education programs and partnerships that have successfully promoted financial education in the Asian and Native Hawaiian or other Pacific Islander communities. Representatives from the business world, from nonprofits and from government participated in the discussion.

In March of 2008, the third conference took place and focused on Black or African American communities. The main topics covered were using media to reach Black or African American markets, credit literacy, youth and higher education, and preparing for retirement.

On June 10, 2008, the fourth and final conference, which will focus on Hispanic or Latino communities, is expected to be held at the Treasury.

Chapter 10: Kindergarten – Postsecondary Financial Education

10-1 In February of 2007, the Department of Education (ED) and Treasury co-hosted a two-day summit on kindergarten through postsecondary financial education. The summit brought together teachers, students, program providers and researchers from across the country to discuss the role of financial education at school, non-school venues and college-level programs. As part of this summit, a request for comments was published in the *Federal Register* on the topic of raising the financial literacy levels of kindergarten through postsecondary students. The findings from this summit and the request for comment are currently being reviewed. The findings are expected to be made available by June of 2008.

Chapter 11: Academic Research and Program Evaluation

11-1 The Treasury Department, along with the Department of Agriculture's Cooperative State Research, Education and Extension Service, will convene a symposium of researchers who specialize in financial education. The goal of the symposium is to raise awareness of existing academic research and to define questions that require additional analysis. The symposium will result in a white paper that will survey current financial education research and will also identify areas of potential future research. The symposium is scheduled for the fourth quarter of 2008.

Chapter 12: Coordination

12-1 The Commission has continued to update the Web site to make available the most current information on federal resources as well as federal financial education grant programs. In the past year, the My Money Web site has added a new feature: a calculator resource page. There are calculators for mortgage computations, home buying, college planning, savings bonds, and tax withholding. In 2008, a new link was added that takes users to the Money Math Lessons for Life curriculum. Currently, all Commission members have links to MyMoney.gov from their agencies' Web sites.

The Commission continues to enhance MyMoney.gov. In 2006, the "Money 20" interactive quiz was added to the Web site, where visitors can test their knowledge with a 20-question online quiz which covers a variety of personal finance issues. The quiz has proven to be popular. Since its inception in fiscal year 2006 through the end of March 2008, 60,051 people have taken the quiz.

12-2 In August of 2006, GSA and Treasury completed the first survey of federal financial education programs and resources. Findings have shown very little overlap or duplication among federal financial education efforts. The overlap noted was found to be minor and necessary to the completeness of a particular resource or topic. Subsequent surveys have produced similar results.

12-4 The Web site Subcommittee developed criteria and features existing partnerships on MyMoney.gov. The Commission also encourages new partnerships through MyMoney.gov.

12-5 In April of 2007, Treasury and the Office of Personnel Management (OPM) hosted the inaugural meeting of the "National Financial Education Network" of federal, state and local governments. The Network, which brings together representatives from different areas and levels of government across the nation to advance financial education efforts, will meet regularly to discuss topics related to financial education.

The Commission, in partnership with the Washington State Department of Financial Institutions and Washington Mutual, hosted the West Coast Summit of the National Financial Education Network on October 30 and 31, 2007.

One of the accomplishments of the Network is the creation of a Web site. A non-profit organization, in consultation with the Financial Literacy and Education Commission and the Network developed a Web site (www.flecnationalnetwork.org) which is comprised of materials submitted by the members of the Network to provide resources on financial literacy to the general public. The Web site addresses various topics including credit, retirement, financial planning and savings among others. To date, the Network is comprised of over 60 members and continues to broaden its membership.

Chapter 13: International Perspective

13-1 The Treasury Department will host an international summit on financial education. To bring about this multinational discussion the Treasury Department will invite the central government authorities responsible for financial literacy in their respective nations to convene and discuss recent developments, innovative methods, and successful strategies for improving financial literacy in their home countries. Treasury is partnering with the Organization for Economic Cooperation and Development to co-host an international summit on financial literacy in May 2008, in Washington, D.C.

Department of the Treasury

The third and final way we implement financial literacy initiatives is through Treasury's own outreach and education efforts.

Within Treasury, several bureaus and offices work in the field of financial education. These include the Bureau of Public Debt (BPD), the IRS, the U.S. Mint, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and, at department headquarters, my office and the Office of Financial Education.

While all of these offices perform important tasks in financial education, the bulk of Treasury's efforts in the field are conducted by its Office of Financial Education. This office was designated by Congress to lend its expertise and provides primary support to the Financial Literacy and Education Commission.

Since its establishment in 2002, the Office of Financial Education has undertaken a tremendous outreach effort. The staff has traveled to 47 states, plus the District of Columbia and Puerto Rico, has held 369 financial education sessions reaching more than 30,000 people. The office produces and disseminates guidelines for quality financial education, provides technical assistance to local programs in English and Spanish, forms partnerships with groups nationwide to connect them with resources, and coordinates the activities across the federal government through the Financial Literacy and Education Commission.

Conclusion

I hope this discussion has given a useful overview of our work.

As Americans, we share the desire to provide for our families, achieve financial security, and have a comfortable retirement. Being financially literate makes those goals more attainable. We hope that through our efforts to increase financial literacy people will lead better, more prosperous lives.

Through our continued outreach and education effort, as well as through the ongoing work of both the Financial Literacy and Education Commission and the President's new Advisory Council on Financial Literacy, Treasury can help more Americans become financially literate.

Now, I will be happy to answer any questions from the Committee concerning financial literacy.